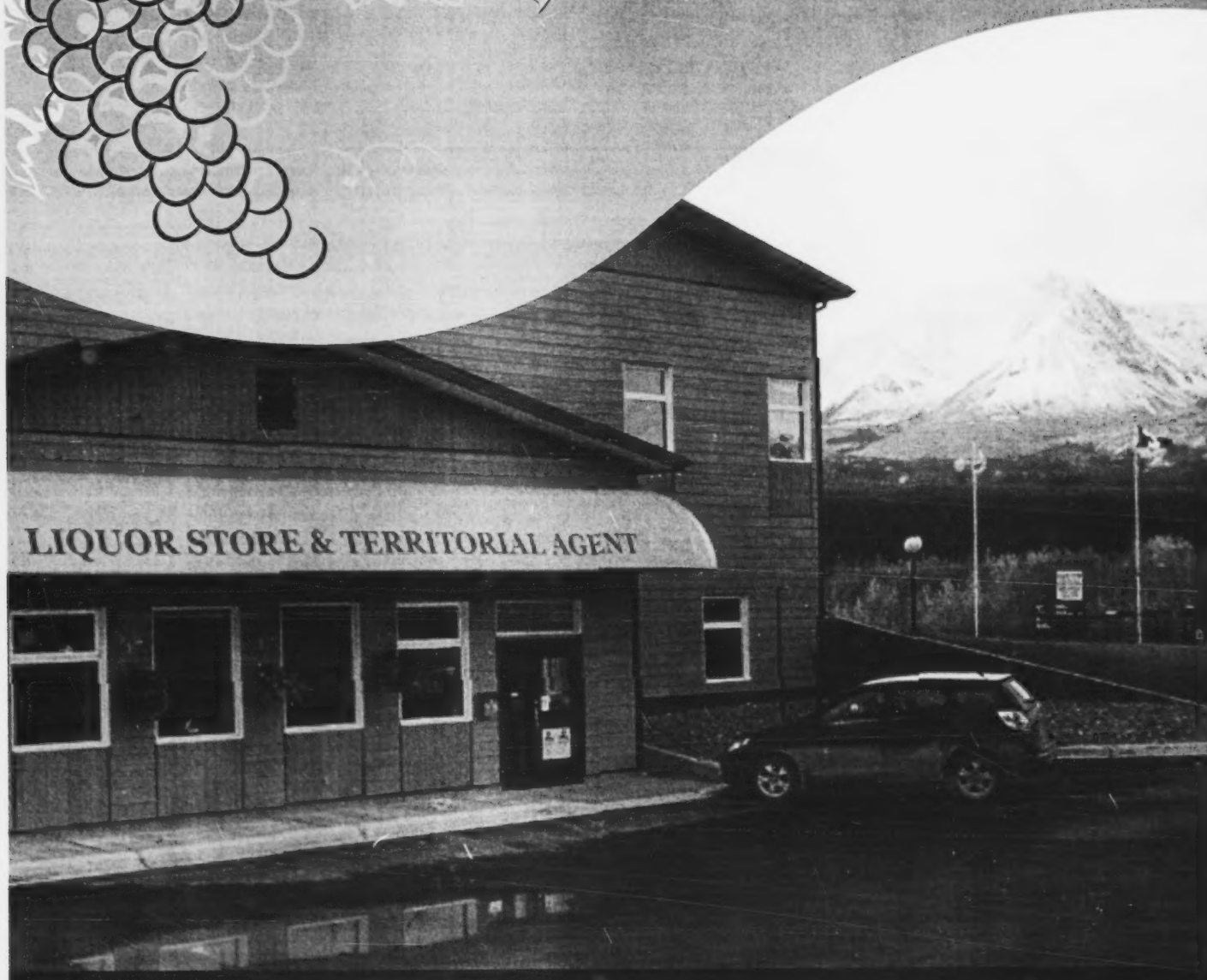




Yukon Liquor Corporation

Annual Report



LIQUOR STORE & TERRITORIAL AGENT

April 1, 2008 – March 31, 2009



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Photos by Government of Yukon

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Minister's Message



It is my pleasure to present this annual report, as the Minister responsible for the Yukon Liquor Corporation.

Yukon Liquor Corporation continues to provide a substantial dividend to the Government of Yukon, through its net revenue and the liquor tax collected. These funds are allocated by the Government of Yukon through its annual budget process to programs that benefit all Yukoners.

Corporation staff and the Yukon Liquor Board have worked diligently over the past year to ensure that recent changes to the *Liquor Act* and *Regulations* were effectively implemented.

Thank you to all Corporation staff and Yukon Liquor Board members for your on-going efforts.

A handwritten signature in dark ink, appearing to read 'Jim Kenyon', with a stylized flourish at the end.

Jim Kenyon

Minister responsible for the
Yukon Liquor Corporation





Corporate Plan

Our Mandate

Yukon Liquor Corporation is responsible for the purchase, distribution, and sale of liquor products in the Yukon.

Our Vision

Liquor products are enjoyed in a safe, legal, and socially responsible manner.

Our Purpose

- to purchase a range of liquor products and make them available to consumers, and to regulate the sale and consumption of liquor products

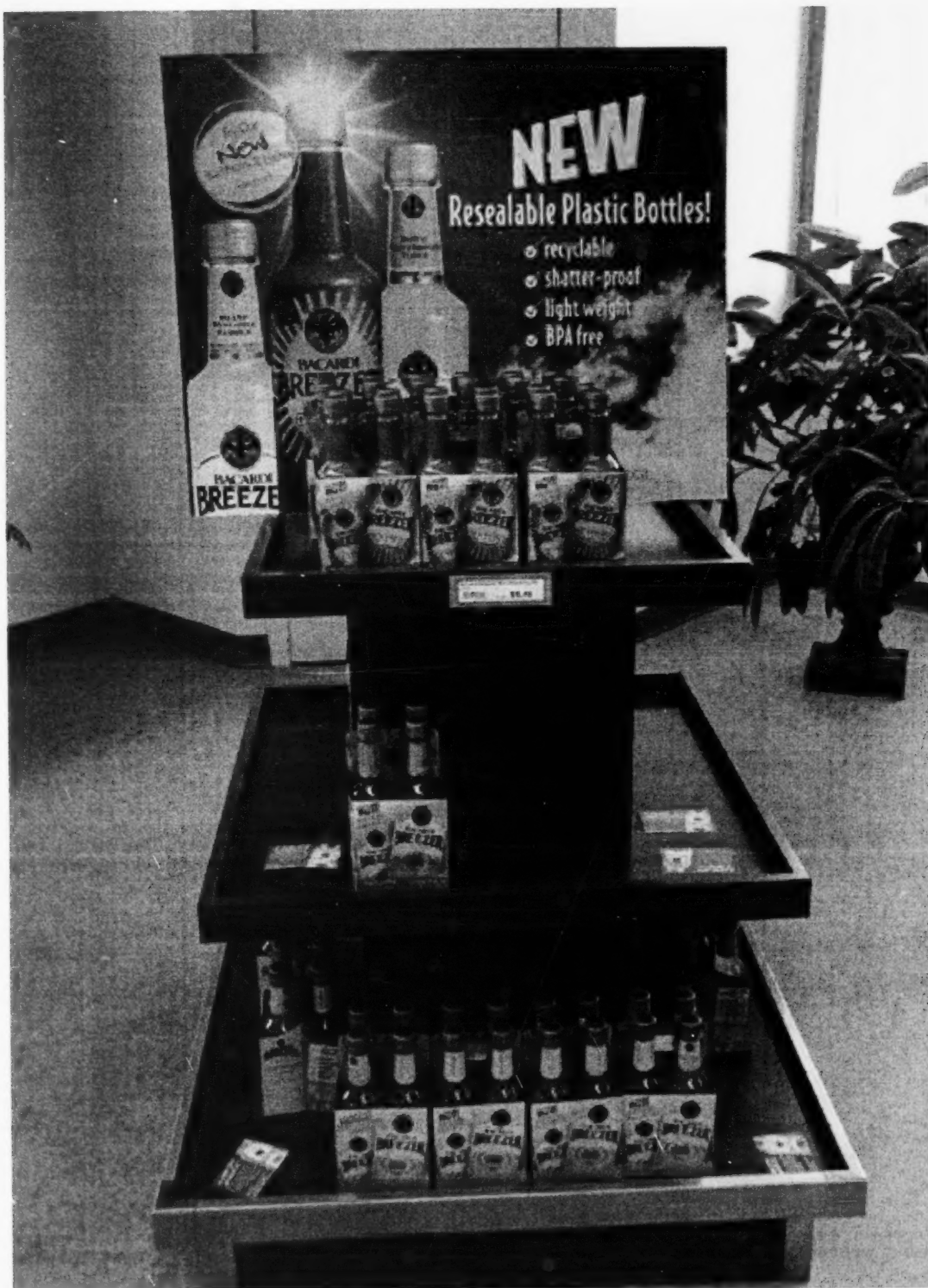
Our Values

- actively engage staff and customers, supporting and encouraging actions that are fair, responsible, respectful, and consistent
- involve and inform customers and staff in the issues and decisions of the Corporation, using a participative management style
- provide excellent service to customers
- be an environmentally-conscious organization that strives to limit its carbon footprint



Our Strategic Goals

- ensure availability and variety of products to meet customer demand
- regulate the sale and consumption of liquor products, and promote and enforce their legal and socially responsible sale and service
- optimize the net proceeds to government realized from the sale and control of liquor
- provide timely and efficient access to specific government services on behalf of other government departments in rural communities with a liquor store
- support the return and recycling of beverage containers, where necessary





President's Report



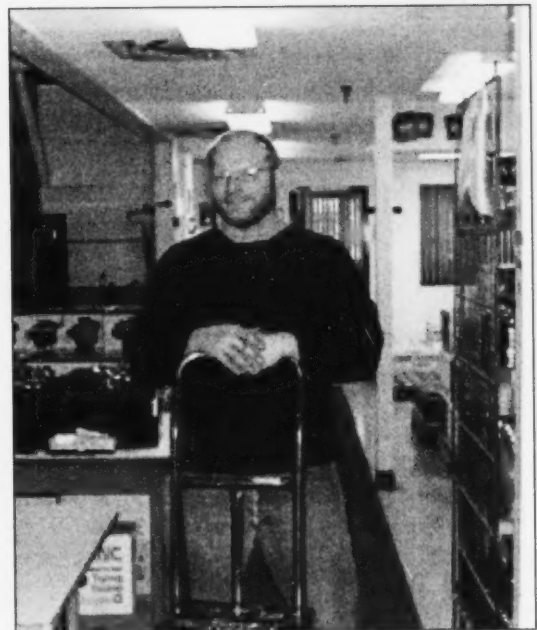
On behalf of the Yukon Liquor Corporation, I wish to recognize the efforts of our staff, clients and partners, in making this another successful year.

Licensees and permit-holders continue to collaborate and assist us in encouraging social responsibility in the sale and consumption of liquor products.

Yukon Liquor Corporation staff strive to achieve the challenging goal of providing the products customers want, while promoting responsible consumption.

Your hard work is appreciated.

Ron MacMillan
President
Yukon Liquor Corporation





Overview

General

Yukon Liquor Corporation operates a central warehouse and distribution centre in Whitehorse, and six Yukon Liquor Stores. The five rural liquor stores also provide specific Territorial Agent services on behalf of other government departments.

The Corporation transfers all its net income to the Government of Yukon. It is responsible for the *Liquor Act* and *Liquor Regulations*. In addition, the Corporation collects and remits a 12% tax on the retail value of all liquor products sold in the Yukon, as required by the *Liquor Tax Act*. In 08/09, net income and liquor tax transfers to the Government totaled \$10.5 million.

The President of the Yukon Liquor Corporation also manages Lotteries Yukon and provides support to the Yukon Lottery Commission.

Yukon Liquor Board

The Board is responsible for licensing decisions, and for hearing appeals of licence suspensions, barrings, and permit refusals. Administration of the Corporation is the responsibility of the President, directed by the Minister.

Currently, the Board has five members, appointed by Cabinet. The Board meets monthly, with additional meetings scheduled as required. Support to the Board is provided by the Licensing & Social Responsibility and Program Support branches.

Corporation

The Corporation has four branches: Purchasing & Distribution; Retail Sales & Territorial Agent Services; Licensing & Social Responsibility; and Program Support. In 08/09, Yukon Liquor Corporation also accessed shared services from the Department of Community Services in the areas of Human Resources, Finance & Systems, and Policy & Communications.



Purchasing & Distribution Branch

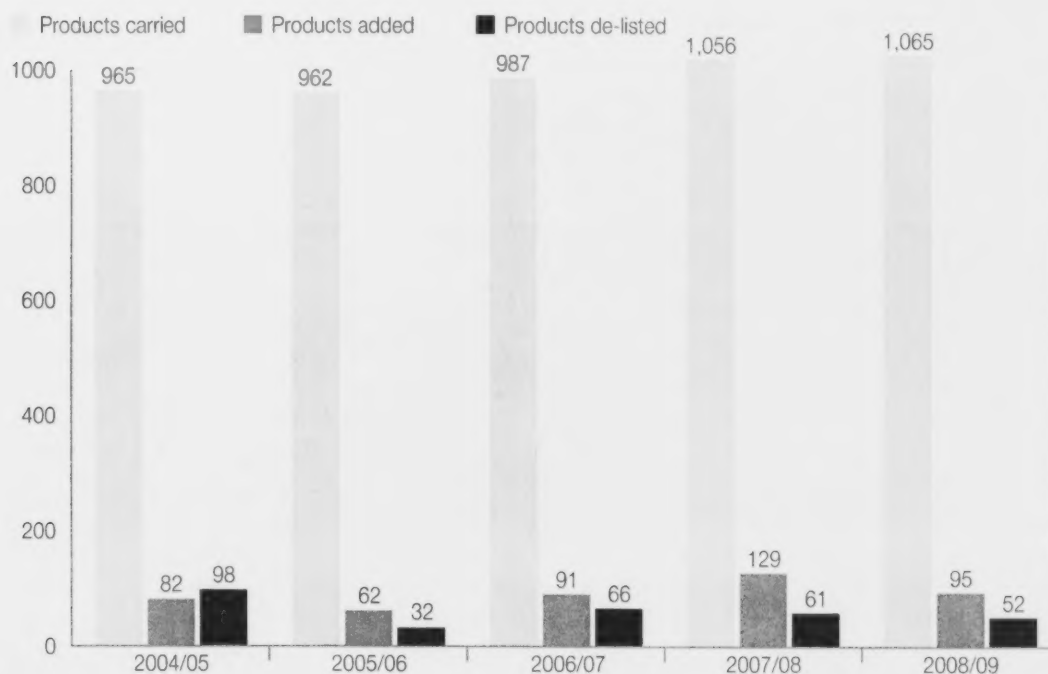
This Branch is responsible for the purchasing, inventory management, and distribution of liquor products.

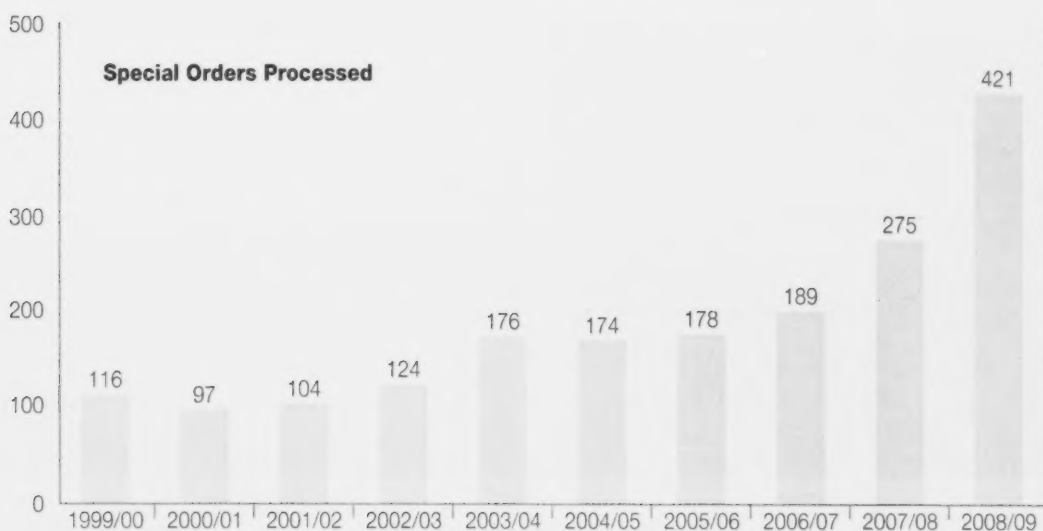
Purchasing & Distribution Branch gathers input from a range of sources, including licensees and other customers, industry, and other jurisdictions, in determining which products to offer for sale in the Yukon, and at what price.

Products are ordered from various locations in Canada. Locally-produced beer is purchased from the Yukon Brewing Company in Whitehorse. All other Canadian-made beer is purchased from breweries in Vancouver. Canadian-made wines and spirits are purchased directly from suppliers in British Columbia, Alberta, Ontario, and Quebec. All imported wine, spirits and beer are purchased from the B.C. Liquor Distribution Branch. This allows the Yukon Liquor Corporation to buy a range of products for our customers, in smaller quantities than might otherwise be possible. The arrangement also allows the Corporation to use the quality control and product expertise of the B.C. Liquor Distribution Branch for a modest administrative fee, reducing the Corporation's overhead.



Orders for all non-Yukon products are consolidated in Vancouver and shipped to the central liquor warehouse in Whitehorse. Staff then distributes orders to licensees and to the six Yukon Liquor Stores. Whitehorse licensees purchase their products directly from the central warehouse, and the Whitehorse store serves primarily individuals. The rural stores serve both the general public and licensees.





Purchasing & Distribution staff work closely with suppliers to develop and implement progressive marketing strategies and merchandising programs for shelf management, merchandise display, and in-store tasting programs, in close co-operation with the Retail Sales & Territorial Agent Services branch.

The annual Rotary Wine Festival once again provided the Yukon Liquor Corporation and wine agents with an opportunity to showcase products and get customer feedback on local taste. As a direct result of the festival, the Yukon Liquor Corporation listed 30 new wines.

Improvements to the warehouse were successfully completed in March and April 2009. These improvements allow the Corporation to continue to expand its product selection in all categories, as requested by customers. The Corporation, working with suppliers, was able to make 41 one-time buys in 08/09, providing customers with an opportunity to try a range of special products.

How do I place a special order?

Contact your local Yukon Liquor Store or Purchasing & Distribution at 867-667-8928 (toll-free 1-800-661-0408, ext. 8928). The minimum order is one case.

Staff will research the cost, including shipping, and provide an estimated price and expected delivery date to you. YLC needs a 50% deposit of the total estimated cost before placing the order. You can pay with cash or credit/debit card (or other pre-authorized payment arrangements, in the case of licensees).

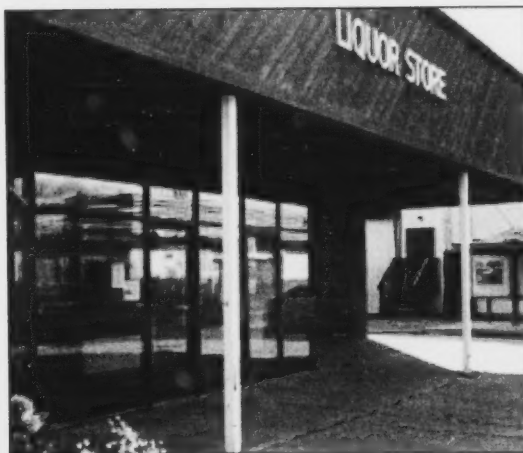
Special orders take between four and 12 weeks to arrive, based on where they are coming from. Staff will contact you by telephone when your special order arrives, and you can arrange for pick-up and final payment then.



Whitehorse



Watson Lake



Faro



Haines Junction



Dawson City



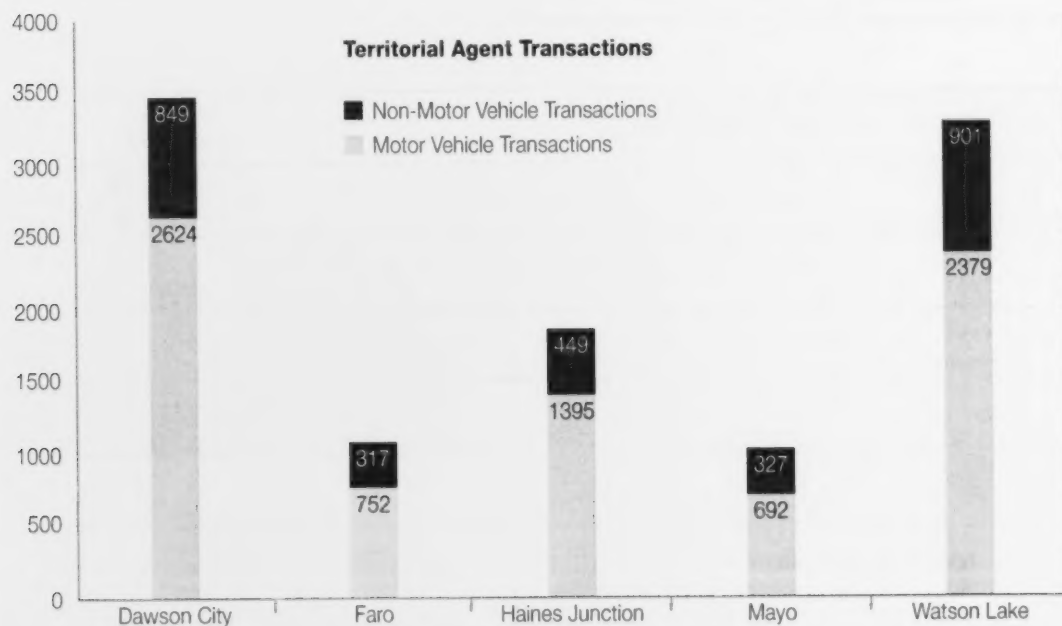
Mayo

Retail Sales & Territorial Agent Services Branch

The Retail Sales & Territorial Agent Services Branch manages the Yukon government liquor stores, and delivers Territorial Agent services in rural communities with liquor stores. The Branch operates six retail liquor stores: Dawson City, Faro, Haines Junction, Mayo, Watson Lake, and Whitehorse. The stores offer a wide assortment of wine, spirits, beer, and coolers.

The retail liquor stores in the rural communities sell products to licensees as well as to individual customers. They also issue special occasion and reception permits, and are open Tuesday to Saturday. The Whitehorse liquor store sells primarily to individual customers, although it will accommodate licensees when necessary, and is open Monday to Saturday.

Rural store Territorial Agents provide specific services on behalf of other Government of Yukon departments, such as issue and renewal of driver licences, fishing licences, motor vehicle registrations, and business licences. They also receive payments on behalf of the government, such as property taxes and court fines.



In 08/09, all stores completed a major renovation program. This resulted in a much more attractive retail environment, including repainting, reflooring, and shelving and fixture upgrades.



And again this year, the branch delivered the Twin Bear program — the stuffed bears are sold through the liquor stores, and their "twin" provided to Health and Social Services for distribution to children throughout the Yukon.

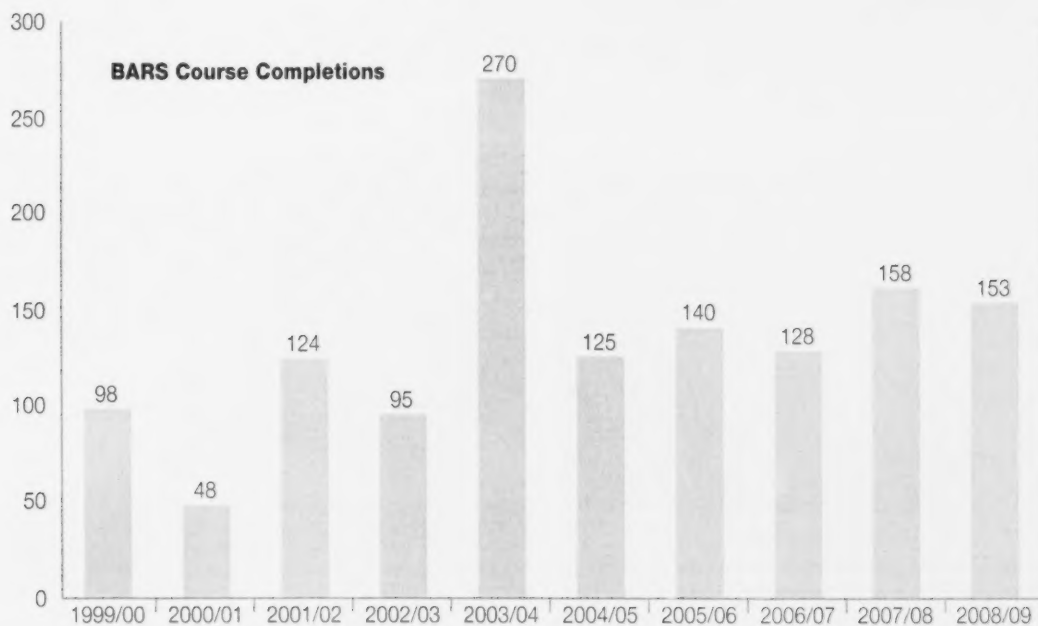
Licensing & Social Responsibility Branch

Working with licensees, permit-holders, liquor consumers, and staff, the branch promotes compliance with the *Liquor Act* and *Regulations* through training, education, inspection, discussion, and enforcement. It partners with other organizations to develop and deliver a variety of campaigns in support of responsible consumption.

The Licensing & Social Responsibility Branch is responsible for liquor licensing and inspection throughout the Yukon. Staff works with applicants for liquor licences and permits to assist them to meet the requirements of the legislation. New licence applications are considered by the Board, and permits and licence renewals are considered by the President.

The branch uses a combination of training, education, dialogue, inspection, and enforcement to ensure that the provisions of the *Liquor Act*, *Regulations*, and related policies are being met.

Licensees and their staff are encouraged to participate in various training and information sessions offered by the Branch. For example, the Branch delivers the "Be a Responsible Server" (BARS) course. This is a three-hour server-training program, made available free to participants. Its purpose is to make servers and licensees aware of their legal responsibilities as liquor providers, and to encourage both responsible service and voluntary compliance. It is also available in a self-study format.



The branch staff works to establish and foster constructive working relationships with licensees, permit-holders, and their staff. As part of a systematic approach to check that licensees and permit-holders are adhering to the *Liquor Act, Regulations*, and related policies, Liquor Inspectors maintain a balanced schedule of walk-through and full-premise inspections of licensed establishments and special events to check that licensees and permit-holders are adhering to the *Liquor Act, Regulations*, and related policies. These inspections focus on aspects of both operations and facilities. Inspections were up very significantly in 2008/2009 due to the addition of three Liquor Inspector trainees as part of a succession planning initiative.

This branch is also responsible for developing and implementing social responsibility initiatives, in co-operation with other government departments and community stakeholders. Social Responsibility resources are levered through partnerships with other organizations to maximize impact, and a variety of tools are used to reach the identified target audiences. Our broad-based social responsibility program partners with various inter-agency and community groups and other territorial government departments in delivering public education programs and encouraging responsible drinking practices.

The Corporation also organizes advertising campaigns featuring responsible drinking messages. In consultation with industry, we have also made changes to the monthly Licensee Information Bulletin to provide information in a clear and concise manner, to help communicate YLC and industry initiatives, and clarify new or changing policies.

Compliance Framework

Licensees and permit-holders are responsible for:

- Adhering to the *Liquor Act, Regulations*, and related policies
- Training and monitoring staff
- Operating their establishment/event in accordance with the *Liquor Act, Regulations*, and related policies

Yukon Liquor Corporation — Licensing & Social Responsibility is responsible for:

- Providing training, education, and access to related information to licensees and permit-holders
- Establishing and fostering constructive working relationships with licensees, permit-holders, and their staff
- Developing and implementing a system to check that licensees and permit-holders are adhering to the *Liquor Act, Regulations*, and related policies
- Using a combination of training, education, dialogue, inspection, and enforcement to ensure that the provisions of the *Liquor Act, Regulations*, and related policies are being met

Yukon Liquor Corporation continued to support alcohol-free graduation events, by providing donations to all Grade 12 classes throughout the Yukon and a variety of materials using the slogan, "Plan Ahead to Stay Safe", incorporated into the 2008 Grad Kits partnership.



**Be prepared to
show your ID,
if you appear
to be under the
age of 19.**

Identification
**Be Prepared
to
Show
ID!**

Licensing & Social Responsibility
9031 Quartz Road
Whitehorse, Yukon
Y1A 4P9
Phone: 867-667-5245
Toll-Free: 1-800-661-0408
E-mail: yukon.liquor@gov.yk.ca
Website: www.ylc.yk.ca

Rev April 1, 2008

As part of the government's Substance Abuse Action Plan, Yukon Liquor Corporation regularly undertakes inspections of licensed premises with a specific focus on minors. Along with the RCMP and licensees, this partnership initiative is well-advertised and significantly raises the profile of the issue. Posters and pamphlets for licensees and the public are produced, to support licensees in complying with the *Liquor Act* in this regard.

Enjoy Your Holiday Gathering

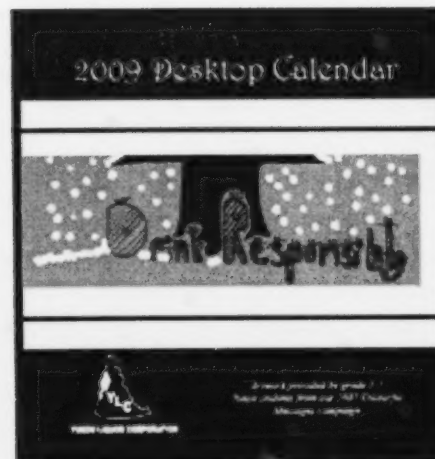
Your choice could affect more than just you.

Refer to the hosting tips on the reverse side of this bookmark to help plan an enjoyable holiday gathering.

Yukon
Liquor Corporation

GREAT HOSTING TIPS

- ◆ Never make drinking the focus of your event. If someone says no to a drink, be sure to offer them a non-alcoholic alternative.
- ◆ Serve measured drinks yourself or appoint a bartender - guests tend to drink more when it's an open bar.
- ◆ Use non-carbonated mixers. Limit mixing with carbonated beverages because bubbles speed up absorption of alcohol.
- ◆ Serve plenty of high-starch, high-protein food so no one drinks on an empty stomach.
- ◆ Be prepared for overnight guests - just in case!
- ◆ Enjoy Alcohol after you've finished sports or other physical activities.
- ◆ Name designated drivers. Decide in advance who will remain sober to drive home drinking guests.
- ◆ Do whatever it takes to stop your guests from drinking and driving.
- ◆ Drink moderately yourself, so you're better able to act quickly and avoid problems.



This year, Yukon Liquor Corporation worked with the Department of Education and other partners on its "Colourful Messages" initiative. Students were asked to draw images on brown paper bags that contained a strong message against drinking and driving. Several classes participated: some of the images were used in the 2008 YLC Calendar, and in the "safe hosting tips" bookmark distributed through liquor stores and at MADD/RCMP holiday season checkstops.



What is a Special Occasion Permit?

A Special Occasion permit allows a non-profit organization to sell liquor at a special event, such as a fund-raiser or festival.

What is a Reception Permit?

A Reception Permit allows an individual, organization, or corporation to serve (not sell) liquor at a special event held in a public place. Examples are wedding receptions, retirement parties, or art gallery show openings.

For more information, see our "Hosting an Event" pamphlet, available at Liquor Stores, Head Office, and at www.ylc.yk.ca.

Program Support Branch

The Program Support Branch provides YLC with a variety of essential support services. The responsibilities and services of this unit include telecommunications, records management, contract administration, administrative and reception functions, and other support services to all branches of the Corporation. This branch also works with Licensing & Social Responsibility to provide secretariat services to the Yukon Liquor Board.

Shared Services

Until April 1, 2009, Shared Services were provided to Yukon Liquor Corporation by the Policy & Communications, Human Resources, and Finance, Systems & Administration branches of the Department of Community Services. These centralized branches provided corporate services and support for the Department of Community Services, Yukon Liquor Corporation, Yukon Housing Corporation, and Yukon Lottery Commission. These services are now provided by a Corporate Services Unit, reporting to the president.



Policy & Communications

The Policy & Communications Branch provides an array of services for the Yukon Liquor Corporation, including support for policy-related issues, research, legislative session support, news releases, communication material and support, and media relations.

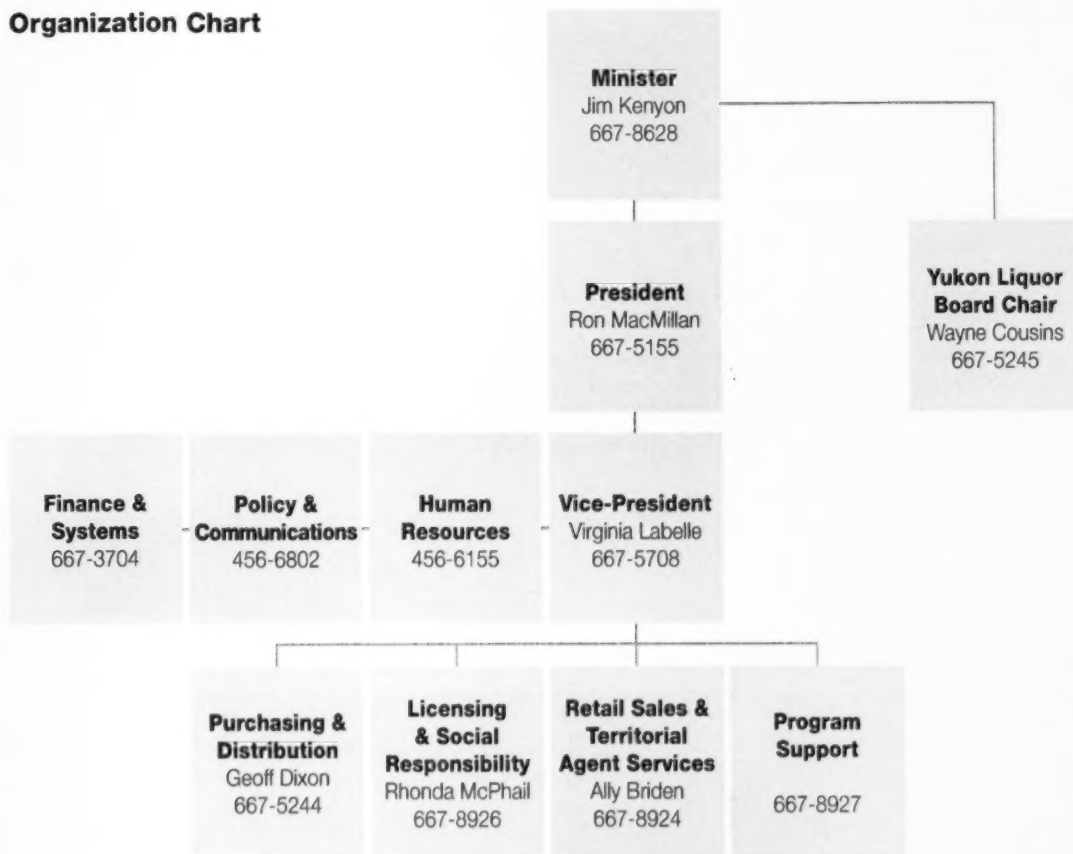
Finance & Systems

The Finance, Systems & Administration Branch provides financial operation, information systems, and selected other administrative services.

Human Resources

The Human Resources Branch provides a full range of Human Resource services, advice, and support that facilitate the delivery of programs and quality customer services.

Organization Chart



Toll-free within Yukon: 1-800-661-0408





Highlights

Volume of Liquor Sold by Location (Hectolitres)

Location	Spirits	Wine	Beer & Cider	2008/09	2007/08
Central Warehouse	1,042	1,033	15,506	17,580	16,929
Dawson City	341	338	3,183	3,863	4,808
Faro	134	133	1,252	1,519	1,084
Haines Junction	116	115	1,078	1,309	1,770
Mayo	92	91	855	1,038	982
Watson Lake	318	315	2,965	3,599	3,188
Whitehorse	2,072	2,054	13,519	17,645	18,145
Total 2008/09	4,115	4,079	38,358	46,552	
Total 2007/08	3,977	4,046	38,883		46,906

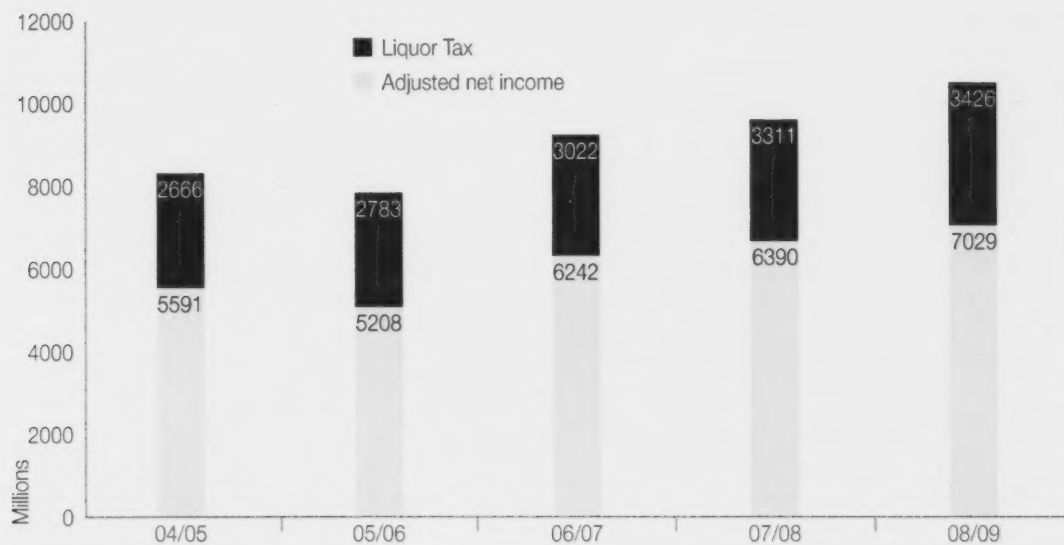
Sales by Location (\$000's)

Location	Spirits	Wine	Beer & Cider	2008/09	2007/08
Central Warehouse	2,200	929	5,664	8,793	8,394
Dawson City	751	380	1,518	2,649	2,588
Faro	290	54	321	666	655
Haines Junction	249	134	579	961	912
Mayo	197	99	300	595	572
Watson Lake	657	172	950	1,779	1,776
Whitehorse	4,560	3,219	5,258	13,037	12,617
Total 2008/09	8,904	4,986	14,590	28,480	
% of Sales	31.3%	17.5%	51.2%	100%	
Total 2007/08	8,500	4,657	14,357		27,514
% of Sales	30.9%	16.9%	52.2%		100%

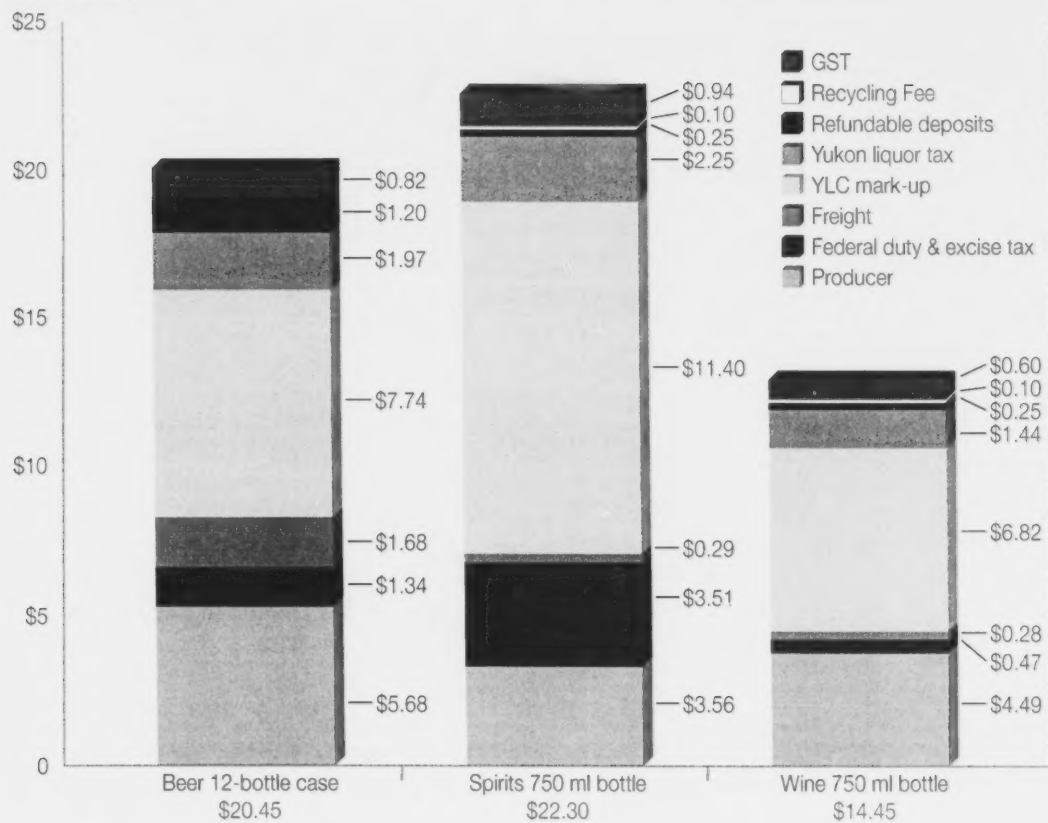


Sales by Product Type		2008/09 \$1000s	Total \$1000s	% of category	Volume (HL)	% of category
Whiskey	Domestic	1,822				
	Imported	149	1,970	22.1%	740	18.0%
Scotch	Domestic	-				
	Imported	507	507	5.7%	107	2.6%
Rum	Domestic	1,048				
	Imported	142	1,190	13.4%	469	11.4%
Gin	Domestic	85				
	Imported	209	294	3.3%	102	2.5%
Brandy	Domestic	13				
	Imported	121	134	1.5%	41	1.0%
Liqueur	Domestic	376				
	Imported	1,141	1,518	17.0%	501	12.2%
Vodka	Domestic	2,052				
	Imported	317	2,369	26.6%	940	22.9%
Coolers	Domestic	618				
	Imported	83	702	7.9%	1,157	28.1%
Other	Domestic	146				
	Imported	75	221	2.5%	56	1.4%
Total Spirits		8,904	8,904	100.0%	4,115	100%
Wine	Domestic	1,608				
	Imported	3,345	4,952	99.3%	4,036	98.9%
Wine Coolers	Domestic	-				
	Imported	34	34	0.7%	43	1.1%
Total Wine		4,986	4,986	100%	4,079	100%
Beer	Domestic	12,993				
	Imported	993	13,985	95.9%	36,825	96.0%
Cider	Domestic	566				
	Imported	39	605	4.1%	1,532	4.0%
Total Beer & Cider		14,590	14,590	100%	38,357	100%
Subtotal		28,480	28,480		46,552	
Other Sales Income		88				
Grand Total		28,568				

Dividend — Annual Transfer to Government of Yukon



Price Analysis

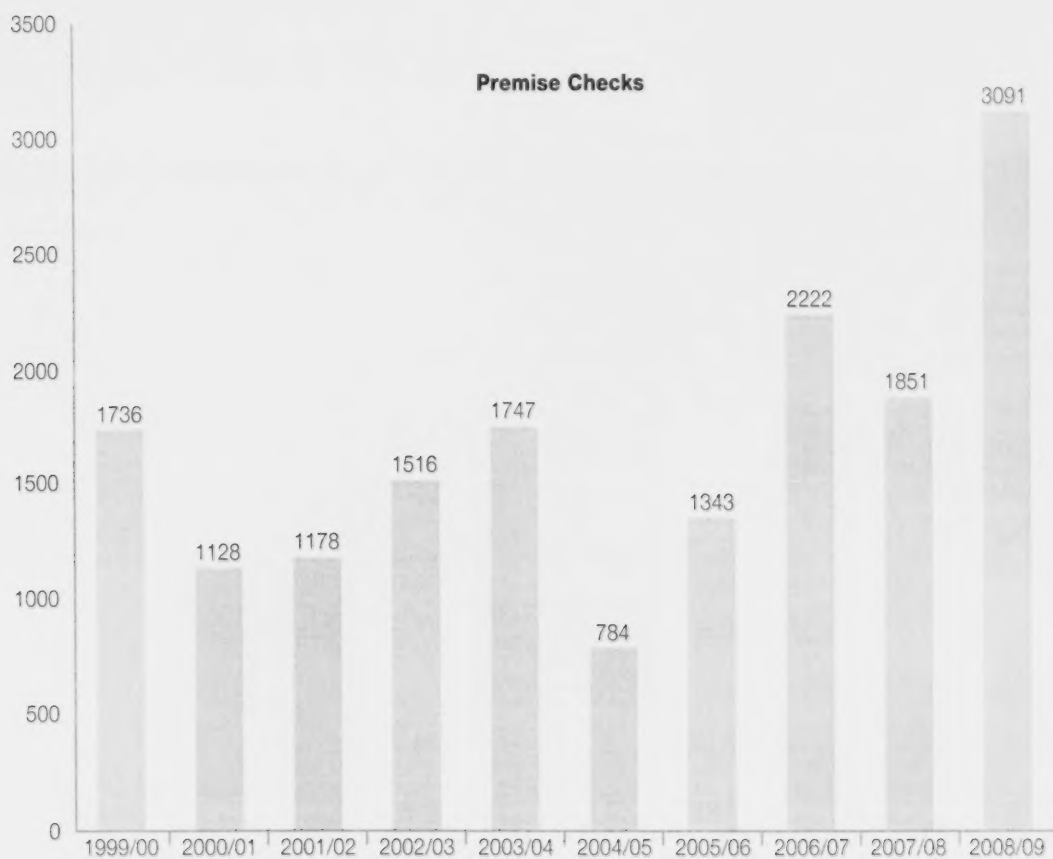
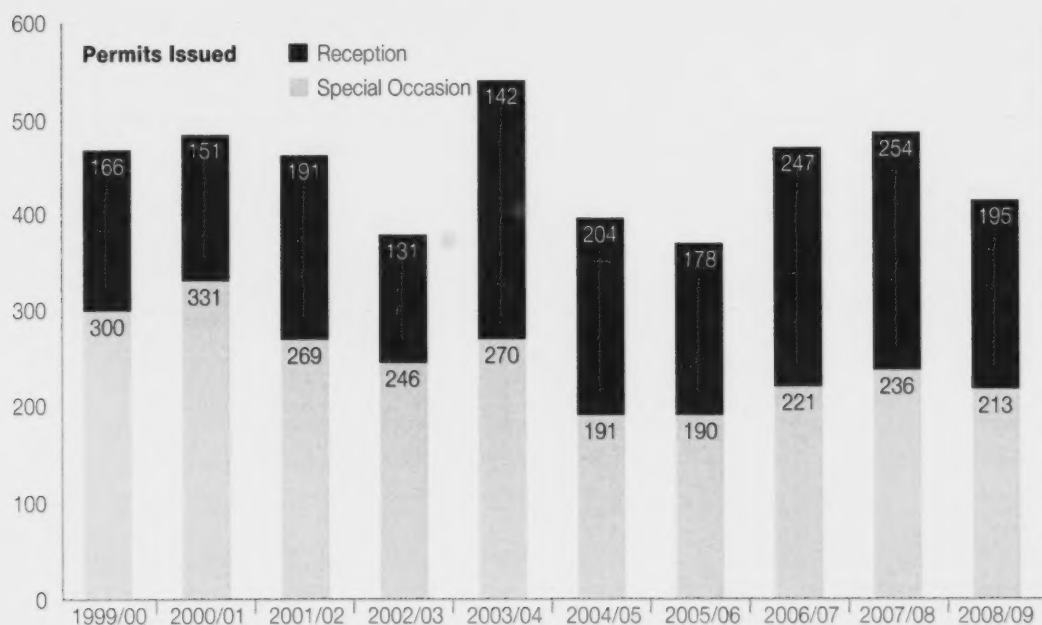


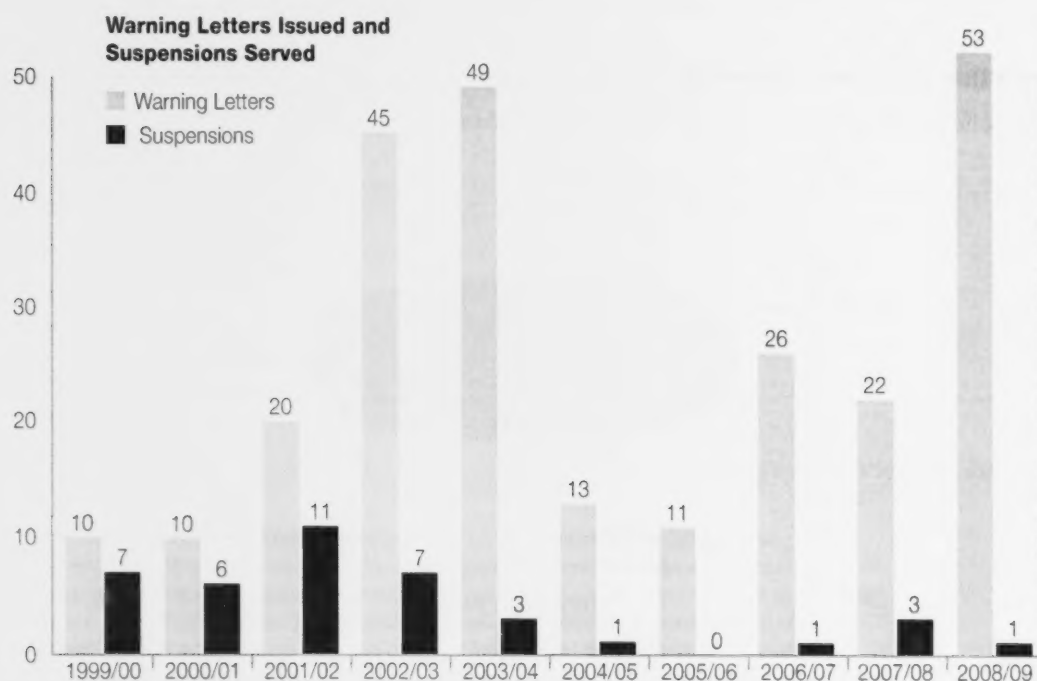
Liquor Licences

Type	2008/09	2007/08	2006/07	2005/06	2004/05
Cocktail Lounge	45	49	56	51	55
Dining Room	50	51	51	51	57
Restaurant.....	30	34	45	43	40
Liquor Off Premises	48	51	60	59	64
Beer Off Premises.....	22	23	25	23	25
Club	13	12	13	10	10
Special	34	34	37	38	33
Aircraft/Ship.....	2	3	3	3	3
Room Service.....	16	18	21	21	23
Mess	1	1	1	1	1
Sport Stadium	1	1	1	1	1
Recreation Facility.....	6	7	7	6	8
Liquor Manufacturer	2	1	1	1	1
Liquor Manufacturer Retail.....	1	1	1	1	1
Total	271	286	322	309	322

Liquor Permits Issued 2008/09

Location	Reception	Special Occasion
Dawson City Store.....	36	32
Faro Store	2	4
Haines Junction Store	4	4
Mayo Store.....	3	4
Watson Lake Store	2	13
Whitehorse Office	148	156
Total	195	213





During the 2008/09 fiscal year, 53 letters of warning were issued for offences under the *Liquor Act* and *Liquor Regulations*. There was one suspension served. Each letter of warning or suspension may include several infractions.

Activity

Infractions 2008/09	Warnings	Suspensions
Permitting intoxicated patrons to enter or remain on premises.....	49	15
Over-serving patrons	22	5
Permitting violent, riotous or disorderly conduct on premises.....		5
Drinking liquor while on duty.....	2	
Selling liquor to intoxicated persons or persons appearing to be intoxicated.....	15	
Selling liquor to minors	3	
Permitting minors in liquor primary premises.....	5	2
Permitting minors to consume and be in possession of liquor.....		1
Exceeding the maximum seating capacity (overcrowding).....	5	
Allowing patrons to remain in licensed premises with off-sales purchases.....	2	
Selling and serving liquor outside authorized hours.....	1	
Allowing patrons to remain in liquor primary for more than a period of 30 minutes after liquor service ends.....	2	
Allowing patrons to remain in licensed premises after closed to public.....	1	
Serving drinks to patrons after licensed premises is closed to the public.....	2	
Selling or serving liquor without a meal in a dining room or restaurant.....	4	
Allowing patrons to consume liquor in unlicensed area of the premises	2	
Allowing liquor purchased for consumption to be taken off the premises	4	
Allowing patrons to bring liquor into licensed premises	1	
Transferring liquor from one product packaging to another.....	4	
Failing to have a liquor menu available or an off-sales price list posted.....	2	
Repackaging purchase units for off premises sales.....	1	
Selling off-sales for greater than the 30% allowable markup.....	2	
Obstructing inspectors in the performance of their duties	1	

Operating Expenses 2008/09

(Does not include Amortization or services received from Government of Yukon without charge.)

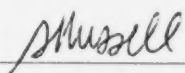


Yukon Liquor Corporation
Management's Responsibility for Financial Statements

The management of the Yukon Liquor Corporation is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to provide reasonable assurance that reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The financial statements as at March 31, 2009, which include amounts based on management's best estimates as determined through experience and judgement, are prepared in accordance with Canadian generally accepted accounting principles.

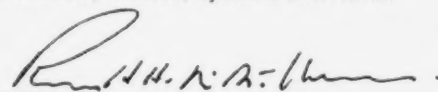
These financial statements have been independently audited by the Corporation's external auditor, the Auditor General of Canada, and the audit report is included in this report.



Susan Russell
A/Director, Finance, Systems and Admin

May 29, 2009

Date



Ron MacMillan
President

May 29, 2009

Date



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister responsible for the Yukon Liquor Corporation

I have audited the balance sheet of the Yukon Liquor Corporation as at March 31, 2009 and the statements of income, comprehensive income and equity, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Liquor Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for inventories as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept and the financial statements are in agreement therewith, and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Liquor Act* and regulations, the *Liquor Tax Act*, the *Financial Administration Act* and the regulations and the by-laws of the Corporation.

Andrew Lennox, CGA, CMA
Assistant Auditor General
for the Auditor General of Canada

Vancouver, Canada
May 29, 2009

Balance Sheet as at March 31, 2009

ASSETS

	2009	2008
	(in thousands)	
Current		
Cash	\$ 2,944	\$ 3,104
Accounts receivable	84	77
Inventories	2,415	2,651
	<u>5,443</u>	<u>5,832</u>
Property, plant and equipment (Note 5 and 7)	<u>1,571</u>	<u>1,822</u>
	<u>\$ 7,014</u>	<u>\$ 7,654</u>

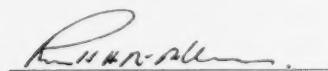
LIABILITIES & EQUITY

Current		
Accounts payable and accrued liabilities	\$ 1,551	\$ 2,006
Due to the Government of the Yukon (Note 6)	2,932	3,016
Deferred revenue	74	76
	<u>4,557</u>	<u>5,098</u>
Non-pension benefit liability (Note 10)	<u>886</u>	<u>734</u>
	<u>5,443</u>	<u>5,832</u>
Equity (Note 7)	<u>1,571</u>	<u>1,822</u>
	<u>\$ 7,014</u>	<u>\$ 7,654</u>

Commitments and contingencies (Note 11)

The accompanying notes are an integral part of the financial statements.

Approved by Management:



President



Director, Shared Services, Finance, Systems & Admin

**Statement of Income, Comprehensive Income and Equity
for the year ended March 31, 2009**

	2009	2008
	(in thousands)	
Sales		
Beer	\$ 14,590	\$ 14,357
Spirits	8,904	8,497
Wine	5,074	4,721
	<u>28,568</u>	<u>27,575</u>
Cost of goods sold	<u>14,349</u>	<u>14,026</u>
Gross profit	<u>14,219</u>	<u>13,549</u>
Expenses		
Salaries and benefits	3,734	3,720
Rent, utilities and maintenance	1,638	1,612
Shared corporate services costs (note 9d)	1,064	978
Services provided to Government of Yukon without charge (note 9c)	499	474
Amortization	513	438
Bank expenses	292	272
Travel and communications	225	186
Other	184	178
General and office supplies	161	206
	<u>8,310</u>	<u>8,064</u>
Operating income	<u>5,909</u>	<u>5,485</u>
Other income		
Fees, permits and licences	114	112
Miscellaneous	8	7
Services received from Government of Yukon without charge (note 9c)	558	557
	<u>680</u>	<u>676</u>
Net income and comprehensive income	<u>\$ 6,589</u>	<u>\$ 6,161</u>
Equity, beginning of year as previously reported	\$ 1,822	\$ 2,051
Adoption of new accounting policies (note 2c)	\$ 189	
Equity, beginning of year as restated	<u>\$ 2,011</u>	<u>\$ 2,051</u>
Current year's income to be remitted to the Government of Yukon (note 9a)	<u>(7,029)</u>	<u>(6,390)</u>
Equity, end of year (note 7)	<u>\$ 1,571</u>	<u>\$ 1,822</u>

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows for the year ended March 31, 2009

	2009	2008
	(in thousands)	
Operating activities		
Cash receipts:		
Sales - spirits, wine and beer	\$ 28,569	\$ 27,575
Annual licence fees and other	114	110
Cash disbursements:		
Purchases	(13,925)	(14,539)
Salary, wages and benefits	(4,144)	(4,120)
General and administrative expenses	(3,132)	(1,329)
Net cash available from operating activities	<u>7,482</u>	<u>7,697</u>
Investing activities		
Cash disbursements:		
Acquisition of property, plant and equipment	(262)	(209)
Net cash used in investing activities	<u>(262)</u>	<u>(209)</u>
Financing activities		
Cash disbursements:		
Remittance of income to the Government of Yukon	(7,380)	(5,793)
Net cash used in financing activities	<u>(7,380)</u>	<u>(5,793)</u>
(Decrease) increase in cash for the year	<u>(160)</u>	<u>1,695</u>
Cash, beginning of year	<u>3,104</u>	<u>1,409</u>
Cash, end of year	<u>\$ 2,944</u>	<u>\$ 3,104</u>

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

March 31, 2009

1. Authority and Operations

The Corporation, established in 1977 under the *Liquor Act*, is responsible for the purchase, distribution and sale of liquor within the Yukon. It is responsible for controlling the sale of liquor through licensed outlets and enforcing all matters related to the *Act*.

In accordance with the *Liquor Act*, the net income for the year, before amortization, less amounts expended on property, plant and equipment, is remitted to the Government of Yukon on a monthly basis.

The Corporation is required by the *Liquor Tax Act* to collect liquor taxes on behalf of the Government of Yukon and to remit these taxes on a monthly basis. The current rate is 12% (2008-12%), and is applied to all selling prices.

In accordance with the provisions of the *Beverage Container Regulations* under the *Environment Act*, the Corporation collects various beverage container deposits and recycling surcharges on the sale of its products. These amounts are remitted to the Recycling Fund on a monthly basis after deducting deposit refunds paid and fees earned under the program.

As a territorial corporation of the Government of Yukon, the Corporation is exempt from income taxes under Section 149(1)(d) of the *Canadian Income Tax Act*.

2. Change in Accounting Policy

a) Capital Disclosures

Effective April 1, 2008, the Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, "Capital Disclosures". Section 1535 requires disclosure of the objectives, policies, and processes for managing capital information about what the Corporation regards as capital; whether the Corporation has complied with any external capital requirements; and the consequences of not complying with these capital requirements. This new section was applied prospectively. The additional disclosures are presented in Note 8.

b) Financial Instruments — Disclosure and presentation

Effective April 1, 2008, the Corporation adopted the new CICA handbook sections 3862, "Financial Instruments — Disclosures" and 3863, "Financial Instruments — Presentation". The standards require the disclosure of information with regards to the significance of financial instruments for the Corporation's financial position and operations, the nature and extent of risks arising from financial instruments to which the Corporation is exposed to during the period and at the balance sheet date, how the Corporation manages those risks. These standards replace CICA handbook section 3861 "Financial Instruments — Disclosure and Presentation". These new sections were applied prospectively. The additional disclosures required as a result of adopting these standards are included in Notes 3 and 4.

c) Inventories

Effective April 1, 2008, the Corporation adopted the new CICA Handbook Section 3031, Inventories, which is based on International Accounting Standards ("IAS") 2. The new section replaces the existing Section 3030, Inventories. Under the new section, inventories are required to be measured at the "lower of cost and net realizable value" which is different from the existing guidance of "lower of cost and market". Due to the changes in the section, the Corporation will include all costs incurred in bringing the inventories to their present location and condition including transport and handling costs. The significant effects of the change related to the opening inventory for the period were to adjust the 2009 Opening inventory and Opening equity of \$189,000 in accordance with the transitional provisions of CICA Handbook Section 3031.

d) **Future Accounting changes**

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has announced that all publicly-accountable Canadian reporting entities will adopt IFRS as Canadian Generally Accepted Accounting Principles (GAAP) for the years beginning on or after January 1, 2011. The Corporation is currently evaluating the impact of the adoption of these new standards.

3. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

Inventories

Inventories are comprised of alcoholic beverages for resale and are valued at the lower of landed cost at point of sale and net realizable value as per Section 3031 of the CICA handbook. Inventories are determined on a first-in, first-out basis. Cost is comprised of supplier invoiced value, freight, duties and taxes. Net realizable value represents the estimated selling price for inventories less the cost to sell.

Revenue recognition

Revenue is recognized when the sale of products is made to customers.

Expense recognition

Expenses are recognized as incurred, on an accrual basis, in the period to which they relate.

Property, plant and equipment

Property, plant and equipment owned by the Corporation are recorded at cost. Only assets that meet the minimum threshold limit are capitalized on the balance sheet. Amortization is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

<u>Classification</u>	<u>Estimated Useful Life</u>
Land	Indefinite
Buildings	20 years
Furniture and office equipment	5 years
Operating equipment	5 years
Systems development	5 years
Systems equipment	5 years
Leasehold improvements	remaining term of lease

Employee future benefits

Non-pension benefits

Under the conditions of employment, employees may qualify and earn employment benefits for vacation, sick, compensatory and personal leave, travel bonus, and severance benefits. The benefit obligation was determined on an actuarial basis. The costs of these benefits are accrued as employees render the services required to earn them. The obligation for vacation leave, sick leave, and severance benefits were calculated using the projected benefit method pro-rated on service. The remainder was calculated assuming all employees would receive the benefits on valuation date. Actuarial gains and losses are deferred and amortized. Extended health care and insurance plan employee future benefit liabilities are paid by and accrued in the financial statement of the Government of Yukon.

Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contribution to the Plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Corporation and are expensed during the year in which the services are rendered. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

Services provided without charge

The Corporation records in the Statement of Income, Comprehensive Income and Equity services it receives or provides without charge to the Government of Yukon in the normal course of operations, at their carrying amount. These services include the following:

- services, primarily accommodation, provided by the Government of Yukon;
- services provided by the Corporation to the Government in its capacity of Territorial Agent in localities outside of Whitehorse.

Use of estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting year. Estimates are used when accounting for matters such as amortization and non-pension benefit liability. Actual results could differ materially from these estimates.

Financial Instruments

The Corporation's financial instruments consist of Cash, Accounts receivable, Accounts payable and Due to the Government of Yukon. Accounts payable and Due to the Government of Yukon are due on demand and non-interest bearing. The carrying amounts of each approximate fair values because of their short maturity. These financial instruments are accounted for as follows:

Held-for-trading

The Corporation has designated the following financial asset on initial recognition as held-for-trading: Cash. This instrument is recognized at its fair value.

Loans and receivables

The Corporation has classified the following financial asset as loans and receivables: Accounts Receivable. This instrument is initially recognized at its fair value. Fair value is approximated by the instruments initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at its amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income when the loan or receivable is settled or upon impairment.

Other financial liabilities

The Corporation has classified the following financial liabilities as other financial liabilities: Accounts Payable and Due to the Government of Yukon. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income when the liability has been settled or upon impairment.

4. Financial Instruments

Risk Management

The Corporation, through its financial assets and liabilities, is exposed to the following risks from its use of financial instruments: credit risk, and liquidity risk. The Corporation manages these risk exposures on an ongoing basis. The Corporation has no significant exposure to interest rate risk and foreign exchange risk. The Corporation is not party to any derivative financial instruments.

Credit Risk

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation.

The carrying amount of Cash and Accounts receivable represents the maximum credit exposure.

The Corporation's Accounts receivable has a carrying value of \$84,000 as of March 31, 2009 (2008 - \$77,000). There is no concentration of accounts receivable with any one customer. As at March 31, 2009, approximately 36.6% (2008 - 5.0%) of Accounts receivable were over 90 days past due, whereas 63.4% (2008 - 95.0%) were current or less than 30 days past due. Historically, the Corporation has not incurred any significant losses with respect to bad debts. The Corporation's allowance for doubtful accounts is nil at March 31, 2009 (2008 - nil).

The risk on cash is minimized as these assets are held with a Canadian chartered bank.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's objective is to have sufficient liquidity to meet these liabilities when due. The Corporation monitors its cash balances and cash flows generated from operations to meet its requirements by regularly checking bank balances and accounts payable reports.

The carrying amount of Accounts payable and accrued liabilities and Due to Government of Yukon represents the maximum exposure to liquidity risk.

The Corporation does not have long-term financial liabilities. The Corporation's Accounts payable and accrued liabilities had a carrying value of \$1,551,000 as at March 31, 2009 (2008 - 2,006,000). As at March 31, 2009, approximately \$25,000 or 1.6% (2008 - 0.4%) of Accounts payable were over 90 days past due, whereas 98.4% (2008 - 99.6%) were current, or less than 30 days past due. Due to Government of Yukon had a carrying value of \$ 2,932,000 as of March 31, 2009 (2008 - \$3,016,000).

5. Property, Plant and Equipment

Property, plant and equipment purchased by the Corporation are as follows:

	2009			2008
		Accumulated	Net Book	Net Book
	Cost	Amortization	Value	Value
	(in thousands)			
Land	\$ 202	\$ -	\$ 202	\$ 202
Buildings	4,756	3,842	914	1,154
Furniture and office equipment	287	53	234	29
Operating equipment	309	255	54	53
Systems development	216	141	75	153
Systems equipment	223	131	92	208
Leasehold improvements	357	357	0	23
	\$ 6,350	\$ 4,779	\$ 1,571	\$ 1,822

6. Due to the Government of Yukon

	2009	2008
	(in thousands)	
Reimbursements due for salaries to employees, shared services costs, and other costs paid on behalf of the Corporation (Note 9d)	802	598
Income due to the Government of Yukon pursuant to the <i>Liquor Act</i> (Note 9a)	1,539	1,890
Liquor tax (Note 9b)	451	455
Net remittances due to the Recycling Fund	140	73
Net due at the end of the year	\$ 2,932	\$ 3,016

7. Equity

This amount represents the sum of the net book value of property, plant and equipment purchased by the Corporation after March 31, 1990, \$1,571,000 (2008 - \$1,822,000) which the Government of Yukon has provided to the Corporation. The annual change in equity represents additions and disposals of property, plant and equipment less amortization expense for the year.

8. Capital management

The Corporation manages its capital in order to purchase a range of liquor products and make them available to consumers, and to regulate the sale and consumption of liquor products, while optimizing the net proceeds to government realized from the sale and control of liquor.

The Corporation defines capital as equity (see note 7) which is represented by net assets. It is subject to the financial management and accountability provisions of the *Financial Administration Act*, the *Corporate Governance Act*, and the *Liquor Act*, which specifies that net assets of the Corporation are the property of the Government of Yukon.

The Corporation manages its equity through its five year capital plan and as a by-product of managing revenues, expenses, assets, liabilities and general financial dealings to ensure that its objectives are achieved efficiently. The five year capital plan and revenue projections are approved annually by the Management Board of the Government of Yukon. The Corporation is required to provide regular variance reporting to Government of Yukon to ensure the Corporation effectively achieves its objectives whilst remaining a going concern.

The Corporation is not subject to external capital requirements.

9. Related party transactions

a) **Income due to the Government of Yukon pursuant to the *Liquor Act***

Calculation of adjusted net income due to the Government of Yukon for the year (Note 1):

	2009	2008
(in thousands)		
Balance due at the beginning of the year	\$ 1,890	\$ 1,293
Adoption of new accounting policy (note 2c)	189	-
Net income and comprehensive income	6,589	6,161
Property, plant and equipment additions	(262)	(209)
Amortization	513	438
Current year's income to be remitted to the Government of Yukon	7,029	6,390
Less: remitted during the year	(7,380)	(5,793)
Balance due at the end of the year	\$ 1,539	\$ 1,890

b) **Liquor tax**

Liquor tax collected and due to the Government of Yukon for the year (Note 1):

	2009	2008
(in thousands)		
Balance due at the beginning of the year	\$ 455	\$ 198
Liquor tax collected during the year	3,426	3,311
Less: remitted during the year	(3,430)	(3,054)
Balance due at the end of the year	\$ 451	\$ 455

c) Other transactions

The value of services provided without charge by the Government of Yukon to the Corporation is estimated to be \$557,860 (2008 - \$557,464). The value of services provided without charge by the Corporation to the Government is estimated to be \$499,327 (2008 - \$474,454). These transactions are included in the financial statements of the Corporation.

The employees of the Corporation are paid by the Government of Yukon. The Corporation reimburses the Government on a monthly basis for salaries and benefits expenses paid.

The Corporation recognizes services received from and provided to the Government of Yukon at their carrying amount. Recording the value of services provided without charge both by and to the Government recognizes and discloses the full cost of operations of the Corporation.

There is no effect on the 2009 net operating results of the Corporation as a result of this policy. However, individual financial statement items are affected as follows:

	2009	2008
Other income – Government of Yukon – services provided without charge: increased	\$ (557,860)	\$ (557,464)
Other income – Less: services provided to Government of Yukon without charge: decreased	499,327	474,454
Expenses – Salaries and benefits: decreased	(415,550)	(416,419)
Expenses – Rent, utilities and maintenance: increased	463,150	488,616
Expenses – Travel and communications: decreased	(4,317)	(4,167)
Expenses – General and office supplies: increased	15,250	14,980
Total	\$ 0	\$ 0

d) Shared services costs

The Corporation is part of a Shared Services arrangement with two other government organizations which consolidates functions such as finance and administration, policy and human resources services. The amount charged by the Government of Yukon to the Corporation for shared services for the year was \$1,063,760 (2008 - \$977,892). These transactions are in the normal course of operations and are measured at the carrying amount, which is the amount of consideration established and agreed to by the related parties. The amount not paid by the Corporation at year-end is listed in Note 6.

10. Employee future benefits

Pension Plan

The Corporation and all eligible employees contribute to the Public Service Pension Plan administered by the Government of Canada. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. Contributions during the year were as follows:

	2009	2008
	(in thousands)	
Corporation's Contributions	\$318	304
Employees' Contributions	159	150

Non-pension benefits

The Corporation provides non-pension benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. The results measured at March 31, 2009 are summarized as follows:

	<u>2009</u>	<u>2008</u>
	(in thousands)	
Accrued benefit obligation, beginning of year	\$881	\$773
Current Service Cost	71	70
Interest cost on accrued benefit obligation	55	48
Amortization of Net Actuarial Gains	(1)	(1)
Prior unrecognized net actuarial gain	-	(9)
Accrued benefit obligation, end of year	<u>\$1,006</u>	<u>\$881</u>
Short-term portion (vacation)	\$120	\$147
Long-term portion	<u>886</u>	<u>734</u>
	<u>\$1,006</u>	<u>\$881</u>
The significant actuarial assumptions were:		
Discount rate	5.75%	5.75%
Salary escalation rate	1.80% Jan 1, 09	1.80% Jan 1, 08
	1.20% June 1, 09	1.20% June 1, 08
	2.50% per annum thereafter	1.80% Jan 1, 09
		1.20% June 1, 09
		2.50% per annum thereafter

The most recent actuarial valuation made for this non-pension benefit plan was prepared as of April 1, 2007. The next required valuation would be as of March 31, 2010.

11. Commitments and contingencies

The Corporation has the following operating leases with commitments for annual rents of leased premises due as follows:

	Whitehorse	Other Retail	
<u>Fiscal</u>	<u>Store</u>	<u>Stores</u>	<u>Total</u>
2010	224,336	134,727	359,063
2011	224,336	134,727	359,063
2012	18,695	68,775	87,470
2013	-	51,581	51,581
Total	\$ 467,367	\$ 389,810	\$ 857,177

The Corporation's buildings are self insured with the Government of Yukon.

In the normal course of operations, the Corporation is subject to legal claims and possible claims and no provision for any claim is included in these financial statements.

12. Comparative Figures

Certain prior year's figures have been reclassified to conform to the current year's presentation.



Yukon
Liquor Corporation

